



APRIL 10, 2019

# Energy Efficiency as a Service – Request for Expression of Interest (EOI)

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## PURPOSE

The information obtained from survey responses to the EOI will be used to clarify project selection criteria, refine outreach and solicitation strategies, and further dialogue with interested parties.

Customer Energy Solutions, a division of City Light, seeks to identify participants for a new pilot program called Energy Efficiency as a Service (EEaS) through an Expression of Interest. This EOI is being released in accordance with City [Ordinance 125556](#), which authorized the execution of agreements with up to 30 buildings for up to 20 years, for the purchase and/or sale of energy under the Energy Efficiency as a Service pilot.

## ENERGY EFFICIENCY AS A SERVICE (EEAS) PILOT PROGRAM GOALS

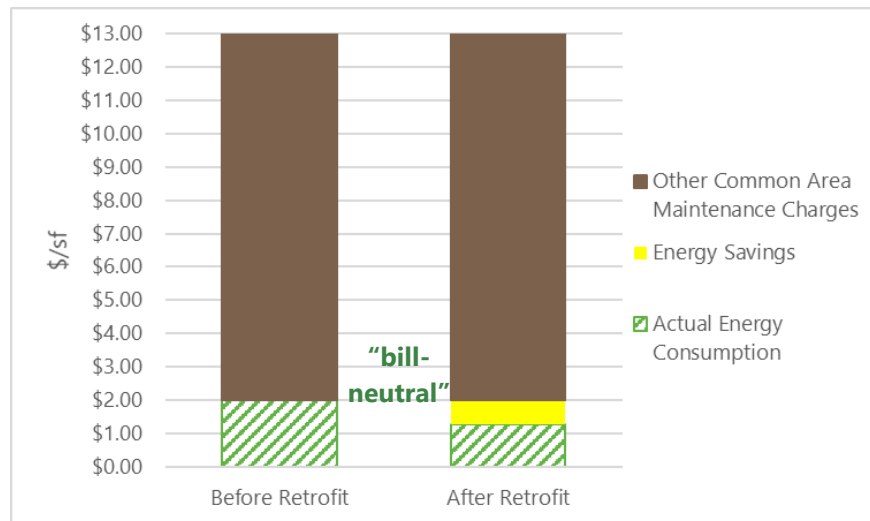
Through the EEaS pilot, City Light aims to:

1. **Unlock deeper energy efficiency in commercial buildings by paying for measured electricity savings over time instead of providing an upfront incentive.** City Light aims to support more performance-based programs in the long term, which may stabilize rates for customers.
2. **Test a mechanism to lessen the “split incentive” between owners and tenants at scale.** A split incentive occurs when tenants receive the financial benefits resulting from reduced energy bills after an energy retrofit, not the entity who paid for the project. While there are multiple mechanisms to overcome this split incentive through standard lease negotiations, City Light may be able to help mitigate this barrier to energy efficiency.
3. **Test a variety of use cases beyond the initial MEETS pilot at the Bullitt Center.** The EEaS pilot program will build on lessons learned from the innovative Metered Energy Efficiency Transaction Structure (MEETS) prototyped at the Bullitt Center building (as approved in Ordinance 124604).

### HOW DOES THE EEAS PROGRAM WORK?

Without energy efficiency improvements, a building's utility bills typically remain flat over time. However, once a capital energy project is implemented, monthly utility bills are often reduced. By keeping the building's monthly utility bills "neutral" and passing on the benefit of the energy savings, the pilot aims to aid in recouping the initial investment.

Figure 1. Example of Tenant Bill Neutrality



In summary, City Light is offering to play a new role in quantifying and returning the value of the energy efficiency savings from deep energy retrofits to owners and investors through a monthly billing mechanism. This value can be shared with the tenants to encourage their participation in energy conservation behaviors, or to remain cost-competitive over time.

### HOW DOES THE EEAS TRANSACTION STRUCTURE WORK?

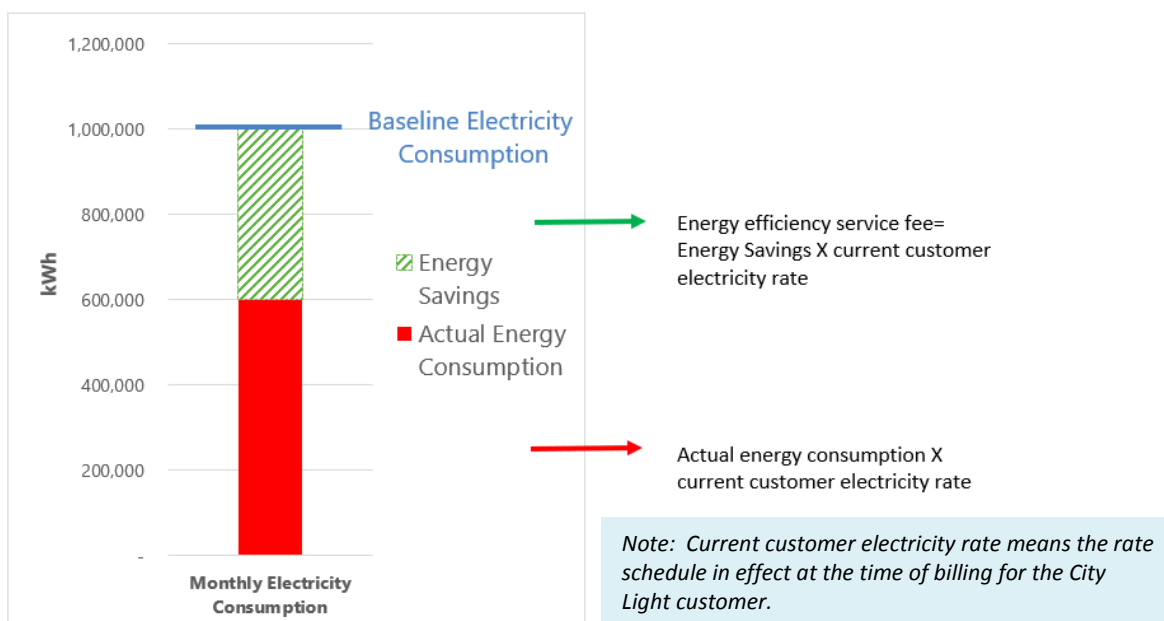
In order to describe the transaction structure, it is helpful to first to identify the main parties involved:

1. **Building Owner** – in the case of this program, the Building Owner (or designated agent) is considered the participant in the EEaS program and will be the party holding an agreement with City Light.
2. **City Light Customer** – the party responsible for the energy bill(s) for the site. The customer may be the same entity as the owner but could also be a property management firm.
3. **Energy Efficiency (EE) Contractor** – a contractor hired by the building owner to improve the energy performance of the building through capital projects. They may or may not secure the investment and be on the receiving end of the energy efficiency payments.
4. **Tenant** – parties leasing space in the participating building who pay Common Area Maintenance charges, which include energy costs.
5. **Seattle City Light**– the utility responsible for billing and payment based on verified energy savings.
6. **Measurement and Verification Consultant** – contractor or 3<sup>rd</sup> party who will advise on technical issues and help calibrate savings in the event of square footage changes, fuel switching, high vacancy rates, space use type changes, or other non-routine events.

The fundamental design of EEaS consists of a customer Participation Agreement and a Power Purchase Agreement (PPA).

By signing the Participation Agreement, the customer will allow City Light to bill for actual electricity use and an “energy efficiency service fee”. The service fee is based on the baseline electricity use minus the actual current electricity use (aka “electricity savings”) multiplied by the electricity rate at the time of billing.

**Figure 2. Basis of EEaS City Light Charges**



City Light will calculate savings values using a transparent methodology and work with the building representative to identify and adjust for major events that significantly affect the savings analysis. The Participation Agreement will also include options for transferability or termination.

The Power Purchase Agreement authorizes the owner (or EE Contractor) to receive payment based on measured energy savings. The PPA rate is based on the customer electricity rate at the time of contract (aka the price floor). The PPA rate will track ongoing actual retail rates of electricity, but will never drop below the price floor. The Participation Agreement and PPA will be between the building owner or agent and City Light. PPA payments can flow to an energy efficiency contractor.

EEaS transactions are summarized visually below in Figures 3a and 3b. Arrows in the figures show payments.

#### EEaS Transaction Description

1. Seattle City Light bills Customer for actual kWh delivered based on the customer rate at the time of billing (e.g. \$0.08/kWh)
2. Seattle City Light bills Customer a “EE service fee” based on electricity savings x \$/kWh portion of customer rate at the time of billing (e.g. \$0.08/kWh) <sup>1</sup>
3. Tenants pay their portion of total electricity bill (actual electricity use charges + EE service fee) to Customer.
4. Seattle City Light then pays PPA payments to Building Owner, or EE contractor.

<sup>1</sup> In the case of time-of-use charges or tiered charges, the rate will be averaged by the hours at that rate.

Figure 3a. Electricity Payments in EEaS – (Standard owner model)

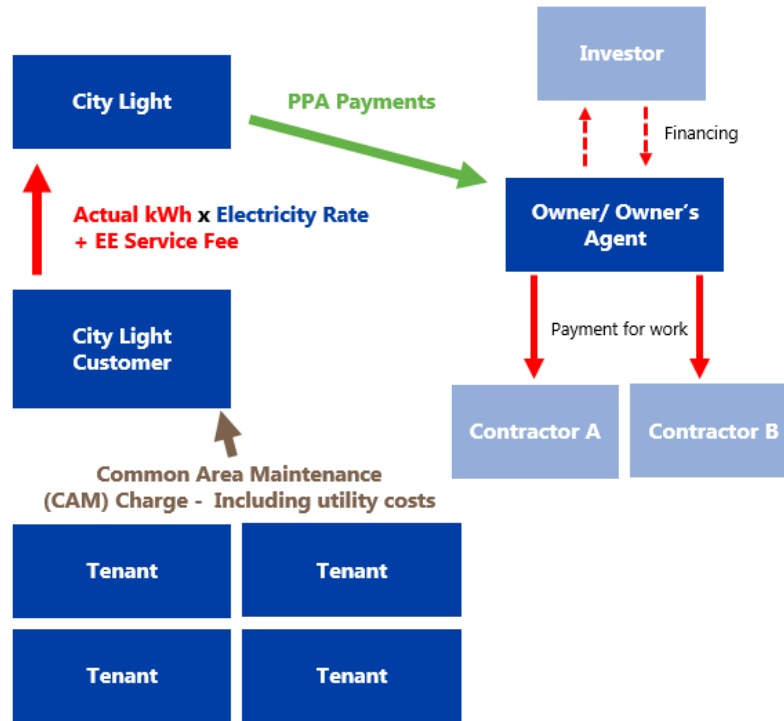
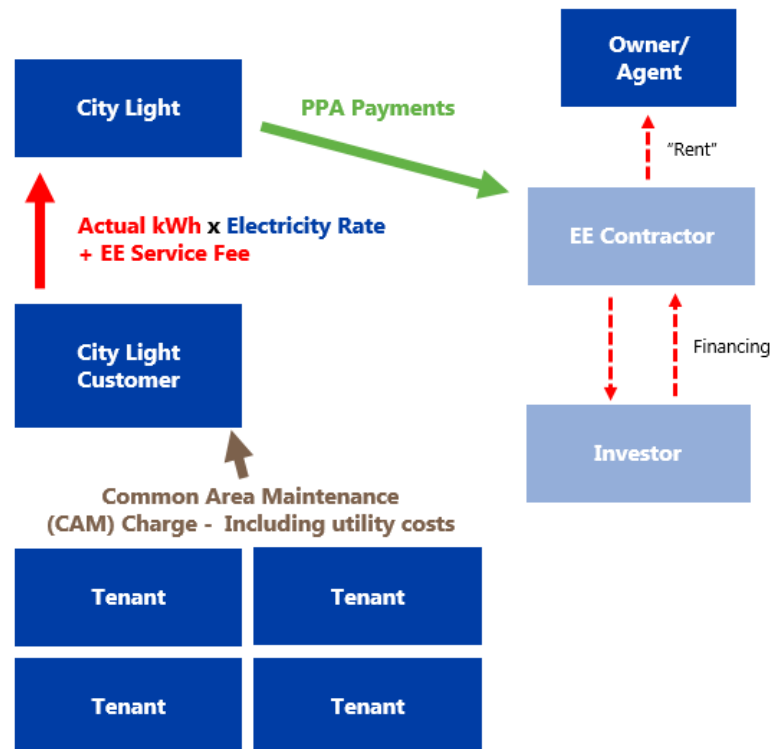


Figure 3b. Electricity Payments in EEaS – (EE Contractor/Investor model)



## WHO CAN PARTICIPATE?

Customers that meet most or all of the following criteria are the best candidates for the pilot:

1. Own or operate a commercial building greater than 50,000 square feet located in City Light electric service territory and are in good standing with the utility.
2. Face split incentive barriers to energy efficiency improvements (primarily between owner/investor and tenants);
3. Plan to implement deep capital energy projects saving more than 25% compared to the building's baseline. For new construction, this 25% reduction would be compared to the code baseline specified in Seattle's Energy Code Target Performance Path C401.3 or Total Building Performance C407;
4. Are likely maintain a minimum of 75% occupancy throughout the program;
5. If new construction:
  - Plan to use only electricity for fuel
  - Plan to use the Total Building Performance Path or the Targeted Performance Path for code compliance for one of the following primary use types: (1) Office, (2) Medical Office, (3) Retail.

However, if you do not meet these criteria and you are interested, please still fill out our survey (link below) to tell us why you want to participate.

## ADDITIONAL CONSIDERATIONS FOR PARTICIPATION:

City Light will also consider the following when selecting projects:

1. Willingness to keep tenant bills equal or slightly less than the baseline, as if the building is not participating in the pilot program.<sup>2</sup> Owners will need to notify all existing and future tenants of the EEaS transaction structure and must also indemnify the City.
2. Willingness to meet or exceed ventilation, lighting, and thermal comfort setpoints of ASHRAE and/or healthy building guidelines.
3. Willingness to engage commercial tenants in saving energy and/or are willing to share the value of energy efficiency.
4. Willingness to create energy planning documents, collect project cost information, and report on building changes over a long period of time (e.g. up to 20 years).
5. Willingness to share all energy consumption data with a 3<sup>rd</sup> party reviewer for measurement and verification of savings.

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<sup>2</sup> The mechanism for allocating energy consumption across multiple tenants (by square footage in this case), must be the same mechanism for allocating energy savings.

6. Willingness to report on and support Seattle's goals for diversity and inclusion in contracting and hiring of energy contractors (see section below).
7. Willingness to work collaboratively with Seattle City Light, as this is a pilot program.
8. Willingness to forgo City Light incentives for the duration of the program, except for energy analysis assistance funding.

#### **WORKFORCE DEVELOPMENT AND PRIORITY HIRE REQUIREMENTS**

In accordance with Ordinance 125556 Section 4, agreements entered under this program must aim to meet or exceed the standards set forth in Seattle's Priority Hire statute which includes but is not limited to the following requirements:

- Area standard wages;
- Bona fide benefits;
- Apprenticeship utilization goals of 15% per craft;
- Certified payroll;
- Women- and Minority-Owned Business Enterprises (WMBE) for sub-contractors.

Participants in EEaS will be asked to use these standards for all construction or capital improvement projects undertaken. As per Section 5 of Ordinance 125556, City Light must report this information in aggregate to the City Council's Housing, Health, Energy, and Worker's Rights (HHEWR) Committee biannually. Reporting requirements will be further detailed in the formal project solicitation.

#### **I'M INTERESTED, BUT WHAT ARE THE NEXT STEPS?**

Please take a quick [survey](#) by June 30, 2019 to express your interest, give feedback, and to get on our mailing list. City Light will issue a formal Request for Projects in Summer 2019. This project solicitation will be informed by the responses received through the survey.

A response to this EOI is NOT mandatory to participate and not legally binding. This EOI describes our current knowledge of program design. Any details in this initial document are subject to change.

Further questions? Contact an Energy Advisor at Seattle City Light [SCLEnergyAdvisor@seattle.gov](mailto:SCLEnergyAdvisor@seattle.gov) or call (206) 684-3800.